



**Village of Mount Prospect
Finance Commission
Regular Meeting Agenda
50 S. Emerson Street Mount Prospect, IL 60056**

May 28, 2026

3rd Floor Executive Conference Room

7:00 PM

- 1. Call to Order**
- 2. Approval of Minutes**
 - 2.1. February 26, 2026
- 3. Citizens To Be Heard**
- 4. Old Business - None**
- 5. New Business**
 - 5.1. Strategic Plan
 - 5.2. Pension Funding Strategy and Bond Issuance
 - 5.3. 111 E. Busse and Other TIF Items
- 6. Other Business**
- 7. Chair Report**
- 8. Finance Director's Report**
- 9. Next Meeting - June 25, 2026**
- 10. Adjournment**

NOTE: ANY INDIVIDUAL WHO WOULD LIKE TO ATTEND THIS MEETING BUT BECAUSE OF A DISABILITY NEEDS SOME ACCOMODATION TO PARTICIPATE SHOULD CONTACT THE FINANCE DIRECTOR'S OFFICE AT 50 SOUTH EMERSON STREET, MOUNT PROSPECT, ILLINOIS 60056 OR BY PHONE AT 847-392-6000.

Finance Commission
Meeting Minutes
Thursday, February 26, 2026
Village Hall Council Chambers Conference Room
50 S Emerson Street
Mount Prospect, IL 60056

i. **Call to order**

The meeting was called to order at 7:00 P.M.

Commission members present: Mary Rath, Ken Arndt, Vince Grochocinski, Don Ocwieja, Sinan Khamo, Sam Cannizzaro, and Edward Derfler

Staff Present: Director of Finance Amit Thakkar, Deputy Director of Finance Jennifer Fitzgerald, and Assistant to the Village Manager Josh Allain

ii. **Approval of minutes**

January 22, 2026

Motion by Vince Grochocinski, seconded by Don Ocwieja, to approve the minutes of the Finance Commission meeting of January 22, 2026.

A voice vote was called.

Motion passed unanimously

iii. **Citizens to be heard**

None

iv. **Old Business**

2026 Work Plan

Director of Finance Amit Thakkar presented the draft work plan following previous discussions. Mary Rath wanted to confirm that the Finance Commission would be meeting at other Village facilities in 2026. Director Thakkar confirmed that the Commission will meet at other facilities.

Motion by Vince Grochocinski, seconded by Don Ocwieja, to approve the 2026 Work Plan.

A voice vote was called.

Motion passed unanimously.

v. **New Business**

a. **Budget Amendments**

Director Thakkar explained that transfers are needed between the 2025 and 2026 budgets. A report will be sent to Commission members regarding the transfers soon. It was noted that the Village has acquired a portion of the former St. Mark's

property. The Commission was also notified of the Village's efforts to purchase a new facility for the Human Services Department, a facility that would replace the current Community Connections Center (CCC). Background on how the property was secured and additional details were provided to the Commission. The purchase of the facility and the overall project of relocating the CCC had been planned for and highlighted in the CIP budget.

Mary Rath asked if the former St. Mark's property would be used for parking and requested information on which portions of the property were acquired. Director Thakkar discussed what was included in the purchase and the current vision for the property. Director Thakkar and the Commission discussed the relationship between the new St. Mark's property, Fat Pour, and the topic of parking. Parking for Fat Pour was outlined to the Commission. Vince Grochocinski followed up with additional questions on Fat Pour and the location of the building.

Sinan Khamo asked about the purchase of any houses near these locations. The Commission was informed that the Village only purchases houses if they are cost-effective. Ken Arndt informed the Commission that he has seen a lot of information on the property, but the exact location of everything has been confusing. The Commission discussed other items in the vicinity of the potential Fat Pour, including the medians, the Willie Street lot, and changes to properties in the downtown area.

b. Financial Updates

The Village is currently waiting for property tax data. \$7 million in property tax dollars are still owed to the Village. Director Thakkar explained that how this will be portrayed will become a topic of focus for accounting. Vince Grochocinski asked if this delay is a political repercussion involving the County. Director Thakkar explained the issue that the Village is having with the County in receiving these funds and outlined the history of similar issues occurring with the County.

The Commission discussed issues related to receiving funds from the County. Director Thakkar and Mary Rath discussed the Village's ERP system. Ken Arndt asked if the Village's ERP system would be different than the County's. Director Thakkar explained the differences between the Village and the County's ERP systems. Mary asked if any taxes owed by the County would impact the Village's plan to receive a AAA bond rating.

c. Property Tax Updates

Information on Property Tax updates was included as part of the previous item.

vi. Any Other Business

Mary Rath asked about the Melas Meadows Bridge bids. Director Thakkar explained that the railroad is requesting the Village to seek air rights to go over the railroad. Sinan Khamo

asked if there was an expiration on the grants relating to the bridge. Director Thakkar explained the grants relating to the Melas Meadows Bridge. The Commission discussed the purpose of the bridge, which is to connect the community.

vii. **Chairman's Report**

Edward Derfler and Ken Arndt discussed their attendance of the State of the Village. They echoed the mayor's statements on sales tax generation.

viii. **Finance Directors Report**

None

ix. **Next Meeting**

Cancellation of the next meeting in March was proposed.

Motion by Vince Grochocinski, seconded by Mary Rath, to Cancel the meeting of March 26, 2026.

A voice vote was called.

Motion passed unanimously.

x. **Adjournment**

Motion by Ken Arndt, seconded by Sinan Khamo, to adjourn the meeting,

A voice vote was called

The motion was carried unanimously

The meeting adjourned at 7:42 P.M.

Village of Mount Prospect
Mount Prospect, Illinois



INTEROFFICE MEMORANDUM

TO: MICHAEL CASSADY – VILLAGE MANAGER, ALEX BERTOLUCCI – ASST. VILLAGE MANAGER

FROM: AMIT THAKKAR - DIRECTOR OF FINANCE

DATE: APRIL 16, 2026

SUBJECT: PENSION FUNDING STRATEGY AND BONDS

Pension Funds – Current Status

Achieving a AAA credit rating from the major credit agencies remains a key strategic priority for the Village. To support this objective, the Village has implemented several financial policies and initiatives, including a strengthened fund balance policy, the establishment of an Economic Stabilization Fund, creation of a Pension Stabilization Fund, disciplined pension funding practices, and optimized property tax levies.

According to the most recent actuarial valuation, the Police Pension Fund is 66.4% funded, and the Firefighters' Pension Fund is 69.6% funded. The corresponding unfunded liabilities total \$57.3 million for the Police Pension Fund and \$42.7 million for the Firefighters' Pension Fund, for a combined unfunded liability of \$100.1 million.

The Village has adopted a funding strategy to reach 100% funding of its pension liabilities by 2040. The most recent annual pension contribution totaled \$11.8 million, of which \$8.9 million was supported by the property tax levy and \$2.9 million was funded through alternative revenue sources, including the Pension Stabilization Fund and grocery tax revenues. The following table reflects the levy for the upcoming year (2026 payable in 2027).

Details	Police Pension Fund	Fire Pension Fund	Total
Normal Cost	2,320,928	2,053,556	4,374,484
Administrative Costs	77,924	93,372	171,296
Amortization of Unfunded Liability	5,362,729	4,188,970	9,551,699
Applicable Interest	263,894	225,716	489,610
Annual Cost	8,025,475	6,561,614	14,587,089
Employee Contribution	(1,160,848)	(980,837)	(2,141,685)
Village Costs - 2026 Levy Payable 2027	6,864,627	5,580,777	12,445,404
Pension Stabilization Fund	(1,462,500)	(1,462,500)	(2,925,000)
Net Levy	5,402,127	4,118,277	9,520,404
Current Levy	5,044,098	3,872,363	8,916,461
Increase in the Levy	358,029	245,914	603,943
% Increase	6.63%	5.97%	6.34%

To further improve pension funding levels while minimizing pressure on existing revenue streams and property taxes, staff evaluated several potential strategies, as outlined below.

Pension Obligation Bonds (POBs)

Pension Obligation Bonds (POBs) are a financing mechanism used by governments to address unfunded pension liabilities. Under this approach, a municipality issues taxable bonds and deposits the proceeds into its pension funds, effectively replacing a variable, actuarial liability with a fixed debt obligation.

Conceptually, this can be compared to refinancing a mortgage at a lower interest rate, potentially over a longer term. Currently, the Village is amortizing approximately \$100.1 million in unfunded pension liabilities at an assumed actuarial rate of 7.25% over 15 years. In contrast, the Village could potentially issue bonds at approximately 4.5% and amortize the obligation over a longer period, such as 20 years. The interest rate differential suggests potential savings; however, this strategy carries significant risks and remains controversial. Key considerations include:

a) Credit perception and market view: POBs are often viewed as a speculative financing strategy. Credit rating agencies generally consider them a last-resort tool for governments struggling to meet pension obligations. While POBs may be viewed more favorably if implemented as part of a comprehensive financial plan, standalone use can negatively impact credit perception.

b) Taxable borrowing requirement: Current regulations do not permit the use of tax-exempt bonds for pension funding. As a result, POBs must be issued as taxable debt, typically carrying interest rates approximately 1.2% to 1.6% higher than comparable tax-exempt bonds.

c) Conversion of soft liability to fixed obligation: Pension liabilities are long-term, actuarially determined obligations that can be adjusted over time. Issuing POBs converts this flexible liability into a fixed, legally binding debt obligation with scheduled repayment requirements.

d) Market volatility risk: Bond proceeds are invested in pension fund assets, which are subject to market fluctuations. In the event of a market downturn, investment losses could reduce the funded ratio, while the Village would still be obligated to meet both pension contribution requirements and fixed debt service payments on the bonds.

Given these considerations, staff does not recommend the use of Pension Obligation Bonds at this time.

Sales Tax Diversion Strategy

Currently, the Village allocates approximately \$6.0 million annually toward capital projects, with \$2.0 million directed to the Capital Improvement Fund and \$4.0 million to the Street Improvement Construction Fund.

Staff evaluated an alternative approach in consultation with bond advisors, whereby \$5.0

million of existing sales tax revenues would be redirected annually to the pension funds (\$2.5 million each to Police and Fire). To offset this reallocation, the Village would issue tax-exempt bonds to fund street and other capital projects, potentially incorporating capitalized interest to align with the expiration of existing debt.

Under this scenario, the Village effectively replaces a portion of its pension liability (approximately \$5.0 million at 7.25% over 14 years) with tax-exempt debt at approximately 4.28% over 19 years. This structured arbitrage would shift a portion of the financial burden from pension contributions to debt service.

Fiscal Year (December 31)	Debt Service Paid from Home Rule Sales Tax		
	Existing Debt Paid from Home Rule Sales Tax (1)	CM+25 Series 2026 [Paid from Home Rule Sales Tax] [Includes Capitalized Interest] (2)	Total Annual Sales Tax Debt Service Payments
2026	\$ 4,304,550	\$ -	\$ 4,304,550
2027	4,298,960	94,863	4,393,823
2028	4,301,210	93,914	4,395,124
2029	4,020,900	374,588	4,395,488
2030	4,117,230	280,088	4,397,318
2031	4,114,110	280,088	4,394,198
2032	4,110,930	280,088	4,391,018
2033	4,112,440	280,088	4,392,528
2034	3,233,250	615,088	3,848,338
2035	3,238,138	613,338	3,851,475
2036	3,237,075	610,838	3,847,913
2037	3,237,825	612,588	3,850,413
2038	3,235,200	612,375	3,847,575
2039	3,236,000	611,113	3,847,113
2040	3,234,600	613,800	3,848,400
2041	3,234,000	615,175	3,849,175
2042	3,234,000	615,238	3,849,238
2043	3,234,400	613,988	3,848,388
2044	-	1,231,425	1,231,425
2045	-	-	-
Total DS:	\$ 65,734,818	\$ 9,048,676	\$ 74,783,494
Estimated TIC:		4.28%	
Estimated Proceeds:		\$ 5,500,000	

(1) Debt service reflects actual results from 2016A, 2018B, and 2022A financings.

(2) Rates based upon market conditions as of April 10, 2026 and recent bond sales which PMA believes to be accurate and reliable, plus 0.25%. Includes capitalized interest.

NOTE: Scenarios where a greater portion of the overall debt is issued in advance of the expenditures of the proceeds will likely result in higher fees earned by the investment manager of the debt proceeds.

Although these bonds would be supported by sales tax revenues, they qualify as tax-exempt obligations, and the Village retains the authority to levy property taxes for debt service if necessary. In practice, a corresponding reduction in the pension levy could help offset the incremental debt service levy.

This approach could be implemented over a period of up to four years, or until the pension funding ratio reaches 80%, whichever occurs first. Once this threshold is achieved, the Village could transition back to a traditional funding model targeting a 90% funding level by 2040.

In future years, the Village may also consider allocating audited General Fund surpluses toward pension funding, either independently or in combination with limited bond issuance. However, staff recommends maintaining strong fund balance reserves until the AAA credit rating objective is achieved.

Community Connection Center

Development of the Community Connection Center is another high-priority initiative identified in the Village's strategic plan. The Village is in the process of acquiring property located at 1601 W. Algonquin Avenue, with acquisition funded through Tax Increment Financing (TIF) revenues.

The property is located within the South Mount Prospect TIF District, which currently generates approximately \$1.8 million in annual increment. Staff is finalizing construction and improvement cost estimates and proposes funding the project through the issuance of tax-exempt bonds.

The TIF is expected to experience significant growth in increment, particularly upon completion of the anticipated data center project. Even under conservative assumptions excluding the data center, current TIF revenues are sufficient to support the proposed financing.

A \$5.0 million bond issuance amortized over 20 years is estimated to require annual debt service of approximately \$395,000. Based on current revenue levels, this results in a strong debt service coverage ratio of approximately 4.5x.

PROPOSED 2026 BONDS – PORTION PAID FROM SMP TIF REVENUE

Debt Service Paid from South Mount Prospect TIF Revenue					
Fiscal Year (December 31)	Estimated Annual South Mount Prospect TIF Revenues	CM+25		Total Annual South Mount Prospect TIF Revenue Debt Service Payments	Coverage
		Series 2026 [Paid from TIF Revenues] (1)			
2026	\$ 1,800,000	\$ -		\$ -	-
2027	1,800,000	394,329		394,329	4.56x
2028	1,800,000	393,675		393,675	4.57x
2029	1,800,000	395,675		395,675	4.55x
2030	1,800,000	392,175		392,175	4.59x
2031	1,800,000	393,425		393,425	4.58x
2032	1,800,000	394,175		394,175	4.57x
2033	1,800,000	394,425		394,425	4.56x
2034	1,800,000	394,175		394,175	4.57x
2035	1,800,000	393,425		393,425	4.58x
2036	1,800,000	392,175		392,175	4.59x
2037	1,800,000	395,425		395,425	4.55x
2038	1,800,000	392,300		392,300	4.59x
2039	1,800,000	393,650		393,650	4.57x
2040	1,800,000	394,213		394,213	4.57x
2041	1,800,000	393,988		393,988	4.57x
2042	1,800,000	392,975		392,975	4.58x
2043	1,800,000	396,175		396,175	4.54x
2044	1,800,000	393,325		393,325	4.58x
2045	1,800,000	394,688		394,688	4.56x
Total DS:		\$ 7,484,392		\$ 7,484,392	
Estimated TIC:		4.18%			
Estimated Proceeds:		\$ 5,000,000		\$ 5,000,000	

(1) Rates based upon market conditions as of April 10, 2026 and recent bond sales which PMA believes to be accurate and reliable, plus 0.25%.

NOTE: Scenarios where a greater portion of the overall debt is issued in advance of the expenditures of the proceeds will likely result in higher fees earned by the investment manager of the debt proceeds.

Staff will continue to evaluate pension funding strategies and potential financing options and will present further analysis to the Village Board and the Finance Commission in the near future. Please let us know if you have any questions or require additional information.

Thank you.

Respectfully submitted,
Amit Thakkar, Director of Finance